How To Fund The Budget

INTRODUCTION

This chapter provides demographic and economic assumptions, including detailed discussions of the national, State and local economies. Revenue sources, both tax supported and non-tax supported, used to fund the County Executive's Recommended FY09 Operating Budget incorporate policy recommendations.

ESTIMATING SIX-YEAR COSTS

Demographic Assumptions

The revenue projections of the Public Services Program (PSP) incorporate demographic assumptions based on Council of Governments (COG) Round 7a estimates, as prepared by M-NCPPC, and are based on fiscal and economic data and analyses used or prepared by the Department of Finance.

- County population, which was 956,000 in 2007, will continue to increase an average of approximately 10,150 persons each year throughout the next seven years reaching one million by 2011 and 1,027,000 by 2014. This reflects an average annual growth rate of 1.3 percent, which is below the average annual growth rate of 1.6 percent during the late 1990s.
- There were an estimated 355,500 households in the County in 2007. Household growth throughout the next seven years is now projected to grow by 4,400 units each year, which translates into a growth rate of 1.2 percent annually. As a result, current projections estimate 374,000 households by the year 2011 and 386,000 by 2014.
- The County's senior population continues to grow with an estimated 104,272 persons 65 or older living here in 2005 and projected to increase to 131,620 by 2015.
- County births, which are one indicator of future elementary school populations and child day care demand, are projected to gradually increase, from an estimated 13,960 in 2008 to 14,890 by 2014.
- Montgomery County Public School enrollments are projected to remain relatively stable over the next six years. The County expects an enrollment increase of 271 students from FY08 to FY14.
- Montgomery College enrollments are projected to increase from 24,270 in September 2008 to 24,940 in September 2012 (FY13). These estimates are based on a continuation of growth in fall enrollment.

Using moderate economic and demographic assumptions to develop fiscal projections does not mean that all possible factors have been considered. It is likely that entirely unanticipated events will affect long-term projections of revenue or expenditure pressures. Although they cannot be quantified, such potential factors should not be ignored in considering possible future developments. These potential factors include the following:

- Changes in the level of local economic activity,
- Federal economic and workforce changes,
- State tax and expenditure policies,
- Federal and State mandates requiring local expenditures,
- Devolution of Federal responsibilities to states and localities,
- Local tax policy changes,
- Changes in financial markets,
- Major demographic changes,
- Military conflicts and acts of terrorism, and
- Major international economic and political changes.

The scenario is based on demographic assumptions resulting from COG Round 7a estimates as projected by M-NCPPC. *A Demographic and Economic Assumptions* chart located at the end of this chapter provides several demographic and planning indicators.

Policy Assumptions

Revenue and resource estimates presented are the result of the recommended policies of the County Executive for the FY09 budget. Even though it is assumed that these policies will be effective throughout the six-year period, subsequent Council actions, State law and budgetary changes, actual economic conditions, and revised revenue projections may result in policy changes in later years.

Economic Assumptions

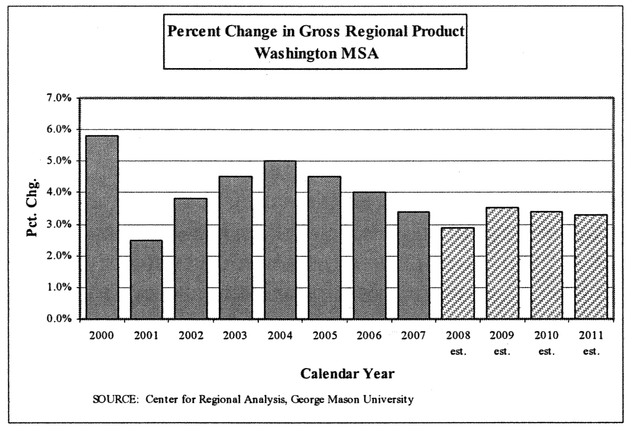
Revenue projections depend on the current and projected indicators of the national and local economy. National economic indicators also influence the County's revenue projections. Such indicators include short-term interest rates, mortgage interest rates, and the stock market. Local economic indicators include employment, retail sales, housing sales, residential and nonresidential construction, inflation, and consumer confidence. The assumptions for each of those indicators will affect the revenue projections over the six-year horizon. Because of the large presence of the federal government, in terms of employment, procurement, and federal retirees, Montgomery County's economy, generally, does not experience the volatility that is experienced nationally.

The economic projections for the next six fiscal years assume a slow but sustainable growth rate. However, growth will be significantly weaker in the early part of this forecast period. Such projections are dependent on a number of factors – fiscal and monetary policy, consumer and business confidence, the stock market, mortgage interest rates, and geopolitical risks.

The national economy experienced an economic slowdown during calendar year 2007. For the year, real gross domestic product (GDP) grew 2.2 percent, the lowest rate since 2002 (1.6%), with much of the growth attributable to consumer purchases of durable goods, business investment in equipment and software, non-residential construction, and exports. The slowdown in the national economy is attributed to lackluster growth during the first and fourth quarters of 2007 (0.6% each). Economic growth is projected to decelerate in 2008 with real GDP growing 1.6 percent, which matches the rate experienced in 2002 – the lowest rate since the last recession. That growth rate will depend in large measure on whether the consumer increases spending and business investment continues to expand, which will help offset the estimated 5.4 percent decline in residential construction.

According to data from the Center for Regional Analysis, George Mason University, the gross regional product (GRP) for the Washington Metropolitan area grew 3.4 percent in 2007, and is expected to grow 2.9 percent in 2008 and 3.5 percent in 2009. The Washington Coincident Index, which represents the current state of the region's economy, increased 0.2 percent in 2007 and has been essentially unchanged over the past three years. The Washington Leading Index, which estimates the performance of the regional economy six to eight months ahead, decreased 0.2 percent in 2007 and confirms the projected slowdown in the GRP for 2008.

Although at a slower pace, the Washington region continued to experience job growth. Between 2006 and 2007, the region's economy added an average of 48,000 new jobs which was significantly below the annual average of 70,000 new jobs created between 2004 and 2006. During this same period, the unemployment rate declined slightly from 3.12 percent in 2006 to 3.08 percent in 2007, one of the lowest among the nation's largest metropolitan areas.



Montgomery County experienced mixed economic activity during 2007. The primary reasons for the County's mixed performance were a continuation in the contraction of residential construction growth, a dramatic decline in home sales, and slowdown in consumer spending. Residential construction activity in the County experienced mixed results during 2007. While the number of projects was up slightly from the previous year, the value added was down for the second year in a row. Home sales in the County declined nearly 24 percent during the year compared to 2006. Although average housing prices continued to increase, they have decelerated dramatically to a 3.7 percent increase in 2007 compared to over 18 percent annually in 2004 and 2005. On the other hand, a number of economic indicators for the County remained resilient during this period. Foremost among the indicators was payroll employment and the low unemployment rate.

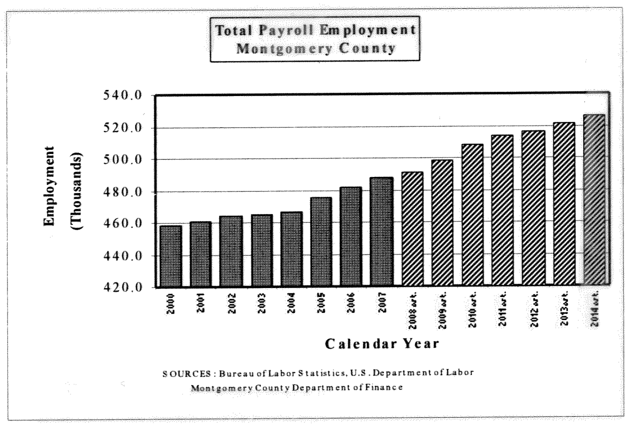
It is against this backdrop of weaker economic growth, a significant decline in home sales, and weak construction activity that the Department of Finance (Finance) estimates a slower pace of growth in employment in 2008, a slight deceleration in the growth of total personal income, and much lower yields on investment attributed to the policy of the Federal Reserve Board through calendar 2008.

Employment Situation

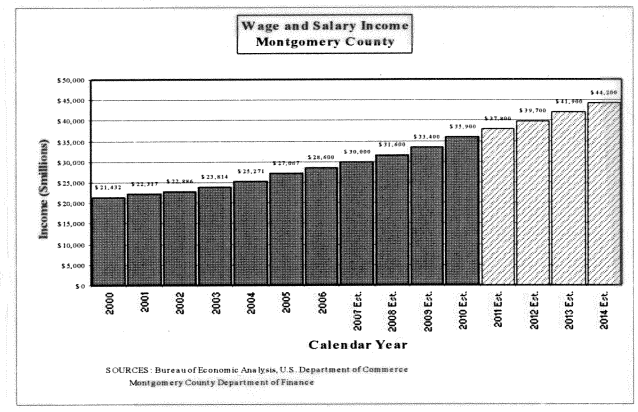
During the past ten years, total payroll employment in Montgomery County, which is based on the survey of establishments, has experienced three distinct cycles: significant growth from 1996 to 2000 of 3.5 percent per year, a period of weak growth between 2000 and 2004 with the average annual rate of 0.4 percent, and moderate employment growth between 2004 and 2007 of 1.5 percent per year. Finance assumes payroll employment to grow an average of 1.1 percent per year between 2007 and 2014. In terms of the number of jobs added to the County's total payroll employment, an average of 5,500 new jobs per year are added between 2007 and 2014, well below the average of 8,200 per year between 1996 and 2007.

Based on data derived by Finance, the County's businesses added over 6,000 jobs (↑1.2%) in 2007. While payroll employment made modest gains during this period, data from the labor force series reported that employment based on place of residence rather than place of employment increased a meager 0.4 percent in 2007, or less than 2,000. While resident employment experienced lackluster growth, especially in the final quarter of 2007 when the County lost jobs compared to the same period in 2006, the unemployment rate for the County remained well below the State's average. For the entire year, the County's unemployment rate was 2.8 percent. The low unemployment rate also suggests that both the public and private sectors are providing a stable foundation against significant labor market volatility and that the County is close to full employment.

Based on this assessment of the employment situation in Montgomery County, the Department of Finance assumes that employment will grow only 0.7 percent in 2008 followed by an increase of 1.5 percent in 2009. However, the number of jobs is one indicator of the labor market in the County, the other important factor is the growth in wages and salaries.



From 2000 through 2007, average weekly wages are expected to increase from $840 to $1,167 – an average annual increase of 4.8 percent. Finance estimates that average weekly wages will increase from $1,167 to $1,562 by 2014 – an average annual increase of 4.2 percent. Finance assumes that wage and salary income is expected to grow 5.5 percent per year between 2007 and 2014, therefore, total wage and salary income is expected to reach $44.2 billion dollars by 2014.



As a result of modest job growth and gains in wages and salaries, Finance assumes that total personal income grew 6.7 percent and 6.1 percent in 2006 and 2007, respectively. Total personal income is assumed to grow at an average annual rate of 5.3 percent between 2006 and 2014, which is lower than the ten-year average of 6.0 percent between 1996 and 2006.

Construction Activity

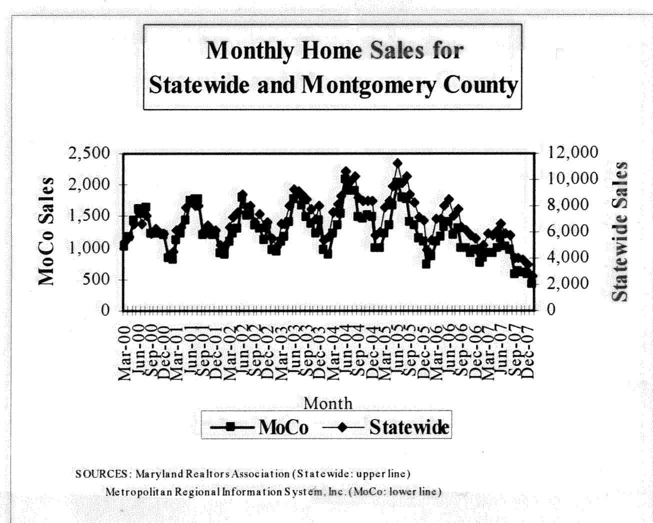
Construction is a cyclical activity that can have a significant effect on a local economy and employment owing to secondary and tertiary effects on construction supply and services industries. Starts and permits are key indicators of the near-term economic condition of the housing industry and are considered leading indicators for the local economy. Of lesser note, new single-family home sales and construction outlays are important indicators for monitoring the level of current investment activity. Construction starts measure initial construction activity as opposed to construction permits, which measure planned activity. However, starts and permits closely track each other and as such, a four-month moving average provides a more reliable indicator of the housing trend compared to month-to-month changes. Construction outlays are the value of new construction put in place. In contrast to information about permits and starts, outlays refer to actual construction rather than planned (permits) or initiated (starts) activity. The primary source of such data is McGraw-Hill Construction.

The value of new non-residential construction in the County added to the property tax base decreased 6.8 percent in calendar year 2007 from $717.3 million to $668.3 million. The decline in the value was led by the drop in commercial construction, which represented 61 percent of total non-residential construction. In 2006, the value of new commercial activity was $451.2 million but by 2007, that value declined to $407.8 million (↓9.6%). The value of other non-residential construction, which includes manufacturing, education and science, hospital and health treatment facilities, added to the property tax base decreased 2.1 percent in 2007 from $266.2 million to $260.5 million – the lowest added value since 2003.

Residential construction also decreased for the second consecutive year. The value of additional residential property declined 5.5 percent, which followed a decline of 7.9 percent in 2006. The value of new residential construction stood at $675.0 million in 2007, which was significantly below the previous five-year average of $729.3 million. Because of the high inventory-to-sales ratio for existing homes, Finance assumes that the value of new residential construction will decline in calendar year 2008 to the level experienced prior to the housing construction boom that began in 2001.

Residential Real Estate

Sales of existing homes in Montgomery County continued to decline significantly in sales but experienced a modest average house price appreciation in 2007. Home sales in Montgomery County declined 23.4 percent in 2007, which followed declines of 4.2 percent in 2005 and 20.5 percent in 2005. Despite the drop in sales, average home prices were up 3.9 percent for 2007, which followed increases of 16.6 percent, 13.2 percent, 18.3 percent, and 18.1 percent for 2002, 2003, 2004 and 2005, respectively. The large drop in sales was reflected in the dramatic increase in the inventory-to-sales ratio. For example, there was an increase in the ratio of one buyer to one seller in June 2005 to a ratio of one buyer to eight sellers by December 2007. After four consecutive years of double-digit price increases between 2002 and 2005, the average selling price increased 4.4 percent in 2006 and 3.9 percent in 2007 – the lowest increases since 1998.



Retail Sales

Using sales tax receipts as a measure of the level of retail sales for the County, purchases of durable and nondurable goods decreased 0.6 percent in 2007 compared to growth of 0.8 percent in 2006 and 4.1 percent in 2005. The sale of nondurable goods, which includes food and beverage, apparel, general merchandise, and utilities and transportation, increased 3.6 percent while purchases of durable goods were down 8.7 percent.

Sales of utilities and transportation (↑7.6%), food (↑4.1%) and general apparel (↑3.9%) led purchases of nondurable goods in 2007. Sales of hardware, machinery, and equipment (↑3.5%) purchases were the only positive category in durable goods.

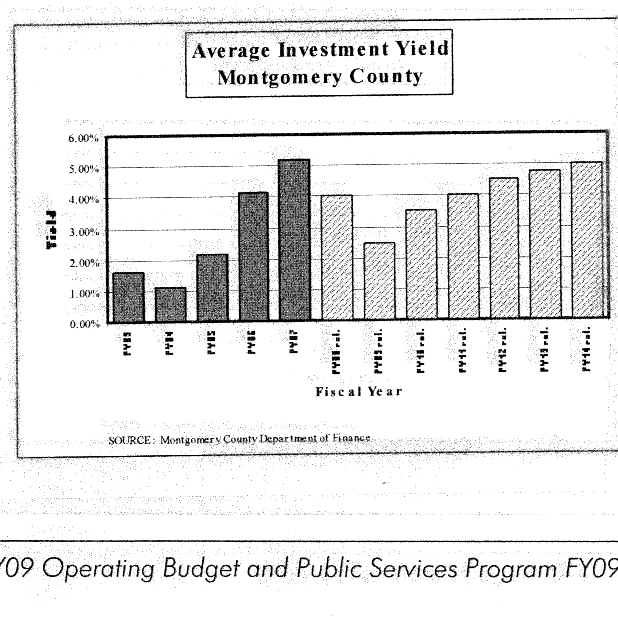
Consumer Prices and Inflation

As measured by the Consumer Price Index for All Urban Consumers (CPI-U), inflation in the Washington-Baltimore consolidated metropolitan statistical area was up 3.6 percent in the region in 2007 compared to 4.0 percent in 2005 and 3.6 percent in 2006. Finance assumes that inflation will continue to retreat from 3.6 percent to 3.3 percent in 2008 and below the 3 percent threshold over the following six years with an average inflation rate of 2.5 percent.

While overall consumer prices increased largely due to energy prices, the "core" inflation rate, which is the CPI excluding the volatile food and energy prices, increased 2.8 percent in 2007. That rate was slightly lower compared to the rate of 3.1 percent in 2006 and 3.2 percent in 2005.

Interest Rates

Since August 2007, the Federal Reserve Board, through its Federal Open Market Committee (FOMC), has cut the target rate for federal funds from 5.25 percent to 3.00 percent as of January 2008. Based on data from the Chicago Board of Trade's Federal Funds futures market, Finance assumes that the FOMC will further cut the target rate through the remainder of FY08. As of February 2008, the futures market assumes that the FOMC may cut the target rate by 50 basis points in March and another 50 basis points by the end of fiscal 2008. Because of the draconian cuts in the federal funds rate since August, Finance estimates that the County will earn 4.00 percent for FY08. Beginning with FY09, the investment yields will decline to 2.50 percent but increase thereafter from 3.50 percent to 5.00 by fiscal year 2014.



REVENUE SOURCES

The major revenue sources for all County funds of the Operating Budget and the Public Services Program are described below. Revenue sources which fund department and agency budgets are included in the respective budget presentations. Six-year projections of revenues and resources available for allocation are made for all County funds. This section displays projections of total revenues available for the tax supported portion of the program. Tax supported funds are those funds subject to the Spending Affordability Guideline (SAG) limitations. The SAG limitations were designed and intended to provide guidance prior to the preparation of the recommended budget as to the level of expenditure that is affordable based on the latest revenue estimates.

The PSP also includes multi-year projections of non-tax supported funds. These funds represent another type of financial burden on households and businesses and, therefore, should be considered in determining the "affordability" of all services that affect most of the County's population. Projections for non-tax supported funds within County government are presented in the budget section for each of those funds. A proposed *Taxes and User Charges for an Average Homeowner* chart displays the total burden on the average household taxpayer and business including solid waste and water and sewer charges. This chart is found at the end of the chapter.

IMPACT ON REVENUES AND THE CAPITAL BUDGET

The use of resources represented in this section includes appropriations to the Operating Funds of the various agencies of the County as well as other resource requirements, such as current revenue funding of the Capital Budget, Debt Service, and Fund Balance (operating margin). These other uses, commonly called "Non-Agency Uses of Resources," affect the total level of resources available for allocation to agency programs. Some of these factors are determined by County policy; others depend, in part, on actual revenue receipts and expenditure patterns.

The level of PSP-related spending indirectly impacts the local economy and, hence, the level of County revenues. However, the effect on revenues from expenditures of the Executive's Recommended Operating Budget and PSP are expected to be minimal. The PSP also impacts revenues available to fund the Capital Budget. The revenue projections included in this section subtract projected uses of current revenues for both debt eligible and non-debt eligible capital investments. Therefore, the Executive's Recommended Operating Budget and PSP provide the allocations of annual resources to the Capital Budget as planned for in the County Executive's Recommended FY09-14 CIP (as of January 15, 2008). These allocations will vary because of adjustments to current revenues for the CIP as part of the Executive's Recommended Operating Budget.

Prior Year Fund Balance

The prior year fund balance for the previous fiscal year is the audited FY07 closing fund balance for all tax supported funds. The current year fund balance results from an analysis of revenues and expenditures for the balance of the fiscal year. Prior year fund balance for future fiscal years is assumed to equal the target fund balance for the preceding year.

Net Transfers

Net transfers are the net of transfers between all tax supported and non-tax supported funds in all agencies. The largest single item is the transfer from the General Fund to Montgomery Housing Initiative to support the Executive's housing policy. The payment from the General Fund to the Solid Waste Disposal Fund for disposal of solid waste collected at County facilities is the next largest transfer to a non-tax supported fund. These are offset by transfers from non-tax supported funds, the largest of which is the earnings transfer from the Liquor Control Fund to the General Fund and the transfers for indirect costs from the non-tax supported funds. The level of transfers is an estimate based on individual estimates of component transfers.

Debt Service Obligations

Debt service estimates are those made to support the County Executive's Recommended FY09-14 Capital Improvements Program (as of January 15, 2008). Debt service obligations over the six years are based on servicing debt issued to fund planned capital projects, as well as amounts necessary for short-term and long-term leases. Debt service requirements have the single largest impact on the Operating Budget/Public Services Program by the Capital Improvements Program. The Charter-required CIP contains a plan or schedule of project expenditures for schools, transportation, and infrastructure modernization. Approximately 57 percent of the CIP is funded with G.O. bonds. Each G.O. bond issue used to fund the CIP translates to a draw against the Operating Budget each year for 20 years. Debt requirements for past and future G.O. bond issues are calculated each fiscal year, and provision for the payment of Debt Service is included as part of the annual estimation of resources available for other Operating Budget requirements. As Debt Service grows over the years, increased pressures are placed on other PSP programs competing for scarce resources.

In accordance with the County's Fiscal Policy, these obligations are expected to stay manageable, representing less than 10.0 percent of General Fund revenues. Maintaining this guideline ensures that taxpayer resources are not overextended during fiscal downturns and that services are not reduced over time due to increased Debt Service burdens.

The State authorizes borrowing of funds and issuance of bonds up to a maximum of 6.0 percent of the assessed valuation of all real property and 15.0 percent of the assessed value of all personal property within the County. The County's outstanding G.O. debt plus short-term commercial paper as of June 30, 2007, is 1.4 percent of assessed value, well within the legal debt limit and safely within the County's financial capabilities.

CIP Current Revenue and PAYGO

Estimates of transfers of current revenue and PAYGO to the CIP are based on the most current County Executive recommendations for the Capital Budget and CIP. These estimates are based on programmed current revenue and PAYGO funding in the six years, as well as additional current revenue amounts allocated to the CIP for future projects and inflation.

Revenue Stabilization

Mandatory contributions to the Revenue Stabilization Fund (Rainy Day Fund) are made if certain revenues increase above their budgeted projections and/or if projected revenue growth is stronger than in a selected historical period. Revenues include County Income Tax, Transfer Tax, General Fund Investment Income, and Recordation Tax excluding school CIP. The projection assumes that no mandatory transfer will be made to this fund at the end of FY08 leaving a fund balance of $119.6 million, which is the result of lower than previously estimated transfer and recordation taxes, and investment income. Because of higher than expected revenue collections in ten of the eleven previous fiscal years (FY97-FY02 and FY04-FY07), in addition to the two discretionary transfers made in FY95 ($10.0 million) and FY96 ($4.5 million), the Revenue Stabilization Fund reached its maximum allowable fund size of $119.6 million at the close of FY07 with a mandatory contribution of $11.9 million.

Since the fund has reached more than half of its maximum fund size, interest earned from the fund must fund PAYGO expenditures in the CIP fund. The estimate of the interest in FY08 is $4.8 million. A similar funding of PAYGO from earned interest was made in FY02 ($2.2 million), FY03 ($1.3 million), FY04 ($1.1 million), FY05 ($2.4 million), FY06 ($4.7 million), and FY07 ($6.2 million). Due to a projected growth in revenues, the maximum allowable fund size is projected at $179.9 million by FY14. However, barring future discretionary or mandatory contributions to the fund, the fund will remain at the current $119.6 million level through FY14.

Other Uses

This category is used to set aside funds for such items as possible legal settlement payments and other special circumstances such as set-aside of revenues to fund future years.

Reserves

The County will maintain total reserves for tax supported funds that include both an operating margin reserve and the Revenue Stabilization Fund (or "Rainy Day Fund"). For tax supported funds, the budgeted total reserve of the operating margin and the Revenue Stabilization Fund should be at least 6.0 percent of total resources (i.e., revenues, transfers, prior year undesignated and designated fund balance).

REVENUE ASSUMPTIONS

Projections for revenues are included in six-year schedules for County Government Special Funds and for Montgomery College, M-NCPPC, and WSSC in the relevant sections of this document. See the MCPS Budget Document for six-year projections of MCPS funds. Projections for revenues funding County government appropriations are provided to the Council and public as fiscal projections. Such projections are based on estimates of County income from its own sources such as taxes, user fees, charges, and fines, as well as expectations of other assistance from the State and Federal government. The most likely economic, demographic, and governmental policy assumptions that will cause a change in revenue projections are included in this section.

TAX REVENUES

Tax supported revenues come from a number of sources including but not limited to property and income taxes, real estate transfer and recordation taxes, intergovernmental revenues, service charges, fees and licenses, college tuition, and investment income. In order of magnitude, however, the property tax and the income tax are the most important with 45.7 percent and 43.7 percent, respectively, of the estimated total tax supported revenues in FY09. The third category is the combined real estate transfer and recordation taxes with a 4.9 percent share. In fact, these three revenue sources represent 94.2 percent of total tax supported revenues. Income and transfer and recordation taxes are the most sensitive to economic and, increasingly, financial market conditions. By contrast, the property tax exhibits the least volatility because of the three year re-assessment phase-in and the ten percent "homestead tax credit" that spreads out changes evenly over several years.

In the late 1990s and early 2000s, the property tax stood in the shadow of the income tax in terms of growth. In fact, in FY99 measured by General Fund revenues, the income tax surpassed the property tax for the first time as the largest tax source in the County. At the time, the low single-digit growth in property tax revenue was dwarfed by the double-digit growth in the income tax. But with all this explosive growth in the income tax also came considerable volatility. For that reason, it was a welcome sign to observe that the property tax – the most stable of all revenue sources – gained considerable ground at a time that the income tax experienced considerable weakness.

Because of adhering to the Charter Limit through tax rate cuts and income tax offset credit, the growth rates in property taxes were lower than would have been under current rates. As a result, FY09 marks the first year since FY99 in which the property tax returns to the position as the largest tax supported revenue source.

Property Tax

Total estimated FY09 tax supported property tax revenues of $1,385.3 million are 14.5 percent above the revised FY08 estimate. Property tax revenues for FY09 are estimated based on the recommendation by the County Executive of a rate increase for all taxpayers and a rebate for owner-occupied residential properties. The general countywide rate recommended for FY09 is $0.740 per $100 of assessed real property, while a rate of $1.850 per $100 is levied on personal property. In addition to the general countywide tax rate, there are special district area tax rates. The 1990 Charter amendment (FIT) limits the growth in property tax revenues to the sum of the previous year's estimated revenue, increased by the rate of inflation, and an amount based on the value of new construction and other minor factors. This Charter limit, however, may be overridden by a super-majority vote of seven of the nine members of the County Council. Growth in the previous calendar year's CPI-U for the Washington-Baltimore Consolidated Metropolitan Statistical Area is used to measure inflation. Since reassessments are growing faster than the rate of inflation for the sixth consecutive year, current rates generate revenues that are above the Charter limit for FY09. The County Executive's proposal to recommend an income tax offset credit (rebate) and a rate increase reduces property tax revenues in FY09 by $122.1 million below what the FY08 rates would have generated. As a result, property tax revenues in FY09 are reduced sufficiently to eliminate close to half of the variance between revenues at current rates and at the Charter Limit.

The countywide total property tax assessable base is estimated to increase 11.2 percent from a revised $146.4 billion in FY08 to $162.8 billion in FY09. The base is made up of real property and personal property. In FY09, the Department of Finance estimates real property of approximately $158.8 billion with the remaining $4.0 billion in personal property. The growth in the total property base has fluctuated significantly over time, with an average of 10.2 percent growth during the late 1980s and early 1990s, followed by considerable deceleration with base growth generally close to an average 3.0 percent between FY93 and FY99. In FY00, the total property tax base increased 2.8 percent and since that time, it has improved steadily reaching 13.4 percent by FY07. Reflecting changes in new construction and a dramatic pick-up in reassessments, the real property tax base is expected to grow a revised 13.3 percent in FY08 and 11.5 percent in FY09.

The real property base is divided into three groups based on their geographic location in the County. Each group is reassessed tri-annually by the State Department of Assessments and Taxation (SDAT), which has the responsibility for assessing properties in Maryland. The amount of the change in the established market value (full cash value) of one-third of the properties reassessed each year is phased in over a three-year period. Declines in assessed values, however, are effective in the first year. Because of the different phase-ins of increases and declines during periods of modest reassessment growth, the reassessment cycle for a particular group may produce either no growth or a decline in the first year, followed by reassessment gains in the two subsequent years. Growth in reassessments for Group I, effective FY09, will increase 16.2 percent (14.6 percent for residential and 23.2 percent for commercial properties). That increase follows the growth in reassessments for Group I of 43.4 percent (44.2 percent for residential and 36.4 percent for commercial properties), Group III of 63.3 percent (70.4 percent for residential properties and 46.7 percent for commercial properties) in FY07, and an increase of 65.0 percent (69.3 percent for residential properties and 49.7 percent for commercial properties) for Group II in FY06. This also follows a 36.3 percent increase (47.0 percent for residential properties and 16.1 percent for commercial properties) for Group III in FY04 and 51.8 percent (55.5 percent for residential properties and 26.1 percent for commercial properties) for Group I in FY05. Those growth rates show a sharp improvement in recent years compared to the 1990s and early 2000s, and now exceed the high double-digit growth in reassessments observed during the late 1980s.

There is a ten percent annual assessment growth limitation for residential property that is owner-occupied. As a result of this "homestead tax credit," taxable reassessments in Montgomery County may not grow more than ten percent in any one year. Due to strong reassessment growth in the late 1980s and early 1990s, this assessment limitation credit topped the $2.5 billion mark in FY92 (using the current 100 percent full cash value method). As growth in home prices decelerated in subsequent years, reassessments either declined or grew less rapidly. The homestead tax credit reflected this trend, with the total credit dropping steadily to $48 million in FY01. However, as the real estate market rebounded in the County starting in the late 1990s, home prices rose at a faster clip causing a sharp increase in reassessments. This is reflected in an increase in the credit to $1.33 billion in FY04, $3.80 billion in FY05, $8.47 billion in FY06, $14.95 billion in FY07, $21.46 billion in FY08, and an estimated $24.10 billion in FY09, which is an all time record. The outlook for the remainder of the six-year forecast period is for the homestead tax credit to gradually decline from the peak in FY09 to FY14.

Decreases in the personal property base between FY04 and FY06 reflected the residual effects of weak labor market conditions that occurred between calendar years 2001 and 2003 and resulted in a lower number of new businesses and associated investments. This was exacerbated by tax law changes, including partial exemption of electricity generating equipment (energy deregulation), other exemptions (e.g., manufacturing, Research and Development, and certain computer software), and new depreciation rules (e.g., for computer equipment). Personal property includes public utility equipment, business furniture and equipment, and computers. According to SDAT, the corporate personal property base is projected to increase 1.5 percent in FY09. The public utility portion, which is estimated to account for 38.4 percent of the personal property base in FY08, is projected to increase 1.6 percent in FY09.

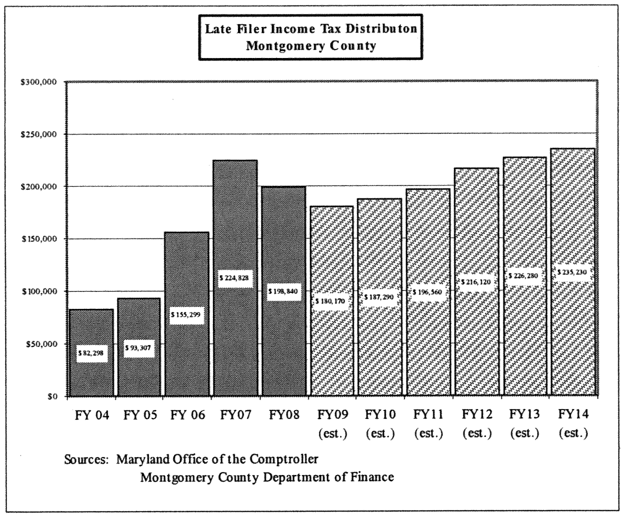
The real property base of $158.8 billion in FY09 is estimated to grow $16.4 billion compared to a revised FY08 estimate, the result of $1.6 billion in addition to the base from new construction, and $17.4 billion in reassessments, offset by a $2.6 billion rise in the homestead tax credit. The level of new reassessments in FY09 is the third highest in the County and represents substantial growth in the property tax base. Construction is projected to increase modestly in FY09, then is expected to gradually increase over the next five fiscal years reaching $1.7 billion by FY14. Similarly, reassessments remain the largest contributor to the base growth during this six-year forecast period. Reflecting a three-year phase-in of 16.2 percent reassessment growth for Group II followed by a 10.3 percent for Group III in FY10 (levy year 2009) and 11.8 percent for Group I in FY11 (levy year 2010). As a result of these decelerating trends, growth in the total assessable base is projected to steadily moderate to 9.4 percent by FY10 and 8.1 percent by FY11.

Income Tax

Estimated FY09 income tax revenues of $1,325.4 million are 3.1 percent above the revised FY08 estimate.

Growth slowed during the early part of the decade reflecting moderation in the trend attributed to very weak growth in County employment – an average annual growth rate of 0.5 percent between calendar years 2001 and 2003. For example, adjusted for the rate cut, the percent change in withholdings and estimated payments declined steadily from a peak of 10.5 percent in tax year 2000 to an annual average growth rate of 0.9 percent between tax years 2001 and 2003. However, since 2003 withholdings and estimated payments rebounded with an increase of 10.5 percent in 2004, 5.0 percent in 2005, 13.4 percent in 2006, and 13.0 percent in 2007.

Since, during any one fiscal year, the County receives income tax distributions pertaining to, at least, three different tax years, it is important to analyze the data on a tax year basis. During the 1990s, average annual tax liability grew considerably slower in the first half (7.5 percent) of the decade compared to the second half (10.4 percent). During the second half of the 1990s, quarterly income tax distributions grew rapidly, with ten percent growth rates in the years 1997 through 1999. However, such growth decelerated rapidly to only 6.8 percent in 2000, 1.1 percent in 2001, 1.4 percent in 2002, and 0.3 percent in 2003. However, with an economic and stock market rebound and the County Council raising the local tax to the maximum rate of 3.2 percent, effective tax year 2004, revenues from withholdings and estimated payments increased 19.9 percent, 5.0 percent in 2005, 13.4 percent in 2006, and 13.0 percent in 2007. In addition to the quarterly distributions that represent withholdings and estimated payments, receipts from late filers who had underestimated their tax liability jumped to unprecedented levels during the late 1990s and 2000. For example, while a total of only $37.0 million was received for tax year 1990, that amount gradually increased and peaked at $192.4 million in 2000, but fell sharply in the two subsequent years to $98.0 million by 2002. Since that time, revenues from later filers have rebounded dramatically reaching $127.0 million in 2003, $183.0 million in 2004, $227.9 million in 2005, but declined to $198.9 million in 2006. As taxpayers underestimate their tax liability from, generally, non-employment related earnings, additional payments are made when tax returns are filed. Taxpayers with more complicated tax returns, reflecting significant non-employment related earnings such as stock options and capital gains (from either the stock market or real estate), increasingly file for an extension. However, recent federal tax law now allows a taxpayer to get a six-month extension rather than a four-month extension with a request for an extra two months. Since taxpayers now file for one extension (through October 15th), income tax receipts from late filers are distributed to the County in November and January. These late filer distributions reflect significant shifts in one-time tax liability and, thus, represent the most volatile component of the income tax. Even though, in aggregate, this tax liability may continue to shift over a longer period of time, the shift remains one-time in the sense that tax liability changes as a result of the one-time exercise of a stock option or sale of stock at a price that is different from the original issuance or purchase and more recently gains from the home sales. Once that action has been taken, gains (or losses) are recognized, with no addition to future tax liability. By contrast, employment growth is an addition to the base that increases tax liability through wage growth in future years and is, thus, a more predictable indicator of future revenue growth.



In the 2007 Special Session, the Maryland General Assembly enacted the Tax Reform Act of 2007 which made major changes to the income tax law effective January 1, 2008. Major changes to the income tax established new tax rates and rate brackets and new exemption amounts. The new tax rates range from 2 percent for the lowest taxable income brackets (<$1,001) to 5.5 percent for the highest taxable income (>$500,000) . The second major change established new exemption amounts ranging from $2,400 for incomes at or below $175,000 for taxpayers filing joint, surviving spouse, and head of household returns, (at or below $125,000 for other taxpayers) to $600 for incomes in excess of $250,000 for taxpayers filing joint, surviving spouse. Because of the changes to the exemptions, the State estimated that the County may lose income tax revenues from the County's income tax. Finance assumed that the new law will have little affect on County income tax revenues in FY08 but adjusted its estimate in FY09 based on data provided by the State.

Transfer and Recordation Taxes

Estimated FY09 revenues of $149.0 million, which excludes the school CIP portion, condominium conversions, and recordation taxes from home sales above $500,000, are 11.6 percent above the revised FY09 estimate. This reflects an FY09 estimate of $80.9 million in the transfer tax and $68.1 million in the recordation tax, of which $12.6 million is attributed to the recent enactment of new legislation by the Maryland General Assembly regarding the taxation of controlling interest. Transfer and recordation tax revenues have fluctuated greatly over time and primarily reflect shifting trends in the real estate market. In FY07, 87.1 percent of transfer tax revenue came from the residential sector compared to 87.7 percent in FY04, 85.5 percent in FY05, and 83.6 percent in FY06. The transfer tax rate is generally one percent of the value of the property transferred to a new owner. This applies to both improved (i.e., building) and unimproved (i.e., land) residential and commercial properties. The recordation tax is levied when changes occur in deeds, mortgages, leases, and other contracts pertaining to the title of either real or personal property. Through FY02 the recordation tax was generally $4.40 per $1,000 of the value of the contract (0.44%). Beginning in FY03, the recordation tax rate was raised to $6.90 per $1,000 of the value of the contract with the first $50,000 of the consideration exempted from the tax for owner-occupied residential properties (0.69%). The Council earmarked the revenues attributed to the rate increase for school capital programs. Generally, both transfer and recordation taxes are levied when properties are sold. In a few cases, only one of the two taxes is levied. One example is refinancing of a mortgage, in which case there may be an increase in the mortgage amount and, hence, recordation tax, but since there is no transfer of property, there is no transfer tax. Beginning March 1, 2008, the Council also levied an additional recordation tax (premium) of 0.31 percent on the sale of homes above $500,000. The revenues collected from this rate are allocated to the rental assistance program (50%) and school construction (50%).

Residential transfer tax revenues are affected by the trends in real estate sales for existing and new homes. Real estate sales, in turn, are highly correlated with specific economic indicators such as growth in employment and wages and salaries, formation of households, mortgage lending conditions, and mortgage interest rates. The same holds true for the commercial sector, which is equally affected by business activity and investment, office vacancy rates, and financing costs. The volatility in revenues from transfer and recordation taxes is best illustrated in the trend since FY99. The growth rate in the number of residential transfers slowed to 7.5 percent in FY00 when the number of residential transfers peaked at nearly 22,000, decreased 4.5 percent in FY01 (21,005), increased 12.5 percent in FY02 (23,633), decreased 3.7 percent in FY03 (22,771), increased 9.3 percent in FY04 (24,897), increased modestly to 3.8 percent in FY05 (25,852), but declined 7.9 percent in FY06 (23,803) and declined 22.8 percent in FY07 (18,389). While the number of residential transfers exhibited significant volatility since FY99, the acceleration in home prices during FY04, FY05, and FY06 had a significant effect on revenues and partially offset the volatility in the number of transfers especially in FY06. Due to the strong demand for new and existing homes, property values increased such that total transfer taxes from the residential sector increased 29.6 percent in FY04, 20.3 percent in FY05, and 6.5 percent in FY06.

However, conditions in the real estate market for Montgomery County began to weaken in the latter part of FY06 and deteriorated further in FY07. Because home sales declined 23.4 percent during calendar year 2007 and are projected to decline an additional 9.4 percent during calendar year 2008, Finance assumes that the number of residential transfers will decline 27.0 percent in FY08 followed by another decrease of 12.1 percent in FY09. Because of the projected decline in the number of transfers and a slowdown in price appreciation, revenues from the residential portion of the transfer tax are expected to decrease 23.8 percent in FY08 and 8.4 percent in FY09.

At the same time that revenues from the residential portion of the transfer tax experienced significant growth since FY99, revenues from non-residential properties experienced a more medium-term cyclical pattern that began in FY99. Beginning in FY99, revenues from non-residential property (excluding farms and rezoning) declined for three consecutive years: 36.2 percent in FY99, 2.6 percent in FY00, and 17.3 percent in FY01. However, based on a healthy commercial boom since FY01, non-residential transfer taxes recovered in FY02 (↑3.0%), FY03 (↑18.6%), FY04 (↑33.9%), FY05 (↑48.5%) and FY06 (↑13.4%). By contrast, in FY07 revenues from non-residential properties declined 49.2 percent and projected to decrease another 23.4 percent in FY08, before rebounding in FY09.

Recordation tax revenues (excluding the school CIP portion) generally track the trend in transfer tax revenues. More recently, the relationship increased to 99 percent of transfer tax in FY04, declined slightly to 95 percent in FY05, but increased to 97 percent in FY06 and 99 percent in FY07. Revenues from the recordation tax increased 35.7 percent in FY02, 17.7 percent in FY03, 27.8 percent in FY04, 13.8 percent in FY05, and 9.8 percent in FY06, but declined 24.5 percent in FY07. The current estimate for FY08 reflects a decrease of 29.1 percent reaching $51.6 million, although conditions are expected to improve in the next year resulting in an increase of 7.6 percent in FY09 to $55.5 million. Even with the estimated modest increase in FY09, revenues from the recordation tax are expected to be the second lowest since FY02 ($51.2 million). The combined transfer and recordation taxes are projected to reach $136.4 million in FY09, excluding revenues for school construction, the second lowest since FY02 ($132.1 million).

Energy Tax

Estimated FY09 revenues of $121.6 million are 1.8 percent above the revised FY08 estimate. The fuel-energy tax is imposed on persons transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas. Different rates apply to residential and nonresidential consumption and to the various types of energy. Effective FY04, the previous rate schedule was increased threefold by the County Council on May 14, 2003. The rate schedule was changed again on May 20, 2004, with rates increasing 52.15 percent for FY05 and thereafter. Since the rates per unit of energy consumed are fixed, collections change only with shifts in energy consumption and not due to changes in the price of the energy product. Based on partial fiscal year data, Finance assumes that residential consumption as a percentage of total energy consumption will remain at 46.4 percent. Due to a different rate schedule, the share of receipts from residential users is approximately 26.4 percent of total collections, with the larger share received from the non-residential sector. Measured for all energy types, the two largest sources of revenues in FY07 were electricity (78.6%) and natural gas (19.6%). Since actual collections vary with weather conditions, a harsh winter weather increases usage of electricity, natural gas, and heating oil, while milder summer weather reduces electricity usage for climate control systems. The impact of weather patterns is partly offset by an expansion of the user base with more businesses and households. With a continuation of the "mild weather" pattern for the next fiscal year, the budget estimate for FY09 is projected to increase 1.8 percent.

Telephone Tax

Estimated FY09 revenues of $30.9 million are 2.7 percent above the revised FY08 estimate. The telephone tax is levied as a fixed amount per landline and per wireless line. The tax on a traditional landline is $2.00 per month, while multiple business lines (Centrex) are taxed at $0.20 per month. The tax rate on wireless lines is $2.00 per month. With business expansion combined with a surge in new home sales in the County in FY00 and FY01, and an increased demand for second phone lines for computer access to the internet, collections from the telephone tax grew 12.0 percent in FY00 and 4.1 percent in FY01. With the slowdown in the local economy during FY02 and FY03 and alternative computer internet access, collections declined 5.8 percent and 8.6 percent, respectively. Assuming modest growth in businesses and households, revenues are expected to increase 2.7 percent in FY09 to $30.9 million primarily due to an increase in cellular telephones. Reflecting, in part, modest growth in new household and business formations, the outlook for FY10 through FY14 is for revenues from wireless communication to increase at a slower rate attributed to a deceleration in the rate of household formations and a growing saturation of the market for wireless devices while the number of landlines are expected to experience little growth in FY09.

Hotel/Motel Tax

Estimated FY09 revenues of $19.9 million are 9.7 percent above the revised FY08 estimate. The hotel/motel tax is levied as a percentage of the hotel bill. The current tax rate of 7 percent in FY08 is also assumed for FY09. In FY97, the rate was increased from 5 percent to 7 percent with the increase earmarked for funding the Montgomery County Conference Center located in North Bethesda. Collections grow with the costs of hotel rooms and the combined effect of room supply and hotel occupancy rate in the County. Occupancy rates in the County are generally the highest in the spring (April and May) and autumn (September and October) as tourists and schools visit the nation's capital for such events as the Cherry Blossom Festival and school trips, while organizations often schedule conferences during such periods. During peak periods, many visitors to Washington, D.C. use hotels in the County, especially those in the upcounty area where rates are generally lower than in the District. Reflecting improved economic conditions during the mid and late 1990s and the presidential primaries and presidential inauguration during 2000 and early 2001, respectively, spurred both business travel and tourism, hotel occupancy rates grew from 67.1 percent in FY96 to a record high 72.1 percent in FY01 declining to 64.2 percent in FY07. The second component – average room rate – grew at an average annual rate of 4.3 percent between FY95 and FY07 to a record $128.18. The third component that makes up revenues – room supply – grew at an average annual rate of 1.7 percent from FY95 to FY07. As a result, total hotel revenues more than doubled between FY95 and FY07 to over $17.4 million.

The average occupancy rate is expected to increase from a revised 64.8 percent in FY08 to 70.1 percent in FY09, attributed to the Presidential Inauguration. Room rates are expected to climb to $135 as a countywide average, resulting in 9.7 percent growth in the hotel/motel tax in FY09 which follows an estimate of 3.6 percent growth in FY08. Long-term estimates are tied to projected room occupancy and rate increases, partially reflecting the forecast of inflation and population growth that result in annual projected revenues through FY14 in the $20.4 million and $26.1 million range. The Montgomery County Conference and Visitors Bureau is funded, in part, through a 3.5 percent share of the hotel/motel tax.

Admissions Tax

Estimated FY09 revenues of $2.4 million are 2.6 percent above the revised FY08 estimate. Admissions and amusement taxes are State-administered local taxes on the gross receipts of various categories of amusement, recreation, and sports activities. Taxpayers are required to file a return and pay the tax monthly while the County receives quarterly distributions of the receipts from the State. Montgomery County levies a seven percent tax, except for categories subject to State sales and use tax, where the rate is five percent. Such categories include rentals of athletic equipment, boats, golf carts, skates, skis, horses; and sales related to entertainment. Gross receipts are exempt from the County tax when a Municipal admissions and amusement tax is in effect. For FY07, coin and non-coin-operated amusement devices accounted for 23.8 percent of total collections, while other major categories include golf green fees, driving ranges and golf cart rentals (29.4%), and motion picture theaters (27.0%). Revenue growth for the period FY10 through FY14 is expected to range between 2.0 percent and 2.1 percent, reflecting modest population growth and rising inflation.

NON-TAX REVENUES

Non-tax revenues throughout all tax supported funds (excluding Enterprise Funds, such as Permitting Services, Parking Districts, Solid Waste Disposal, and Solid Waste Collection Funds) are estimated at $758.4 million in FY09. This is a $10.9 million decrease, or -1.4 percent, from the revised FY08 estimate, reflecting decreases in intergovernmental revenues (↓3.8%) and investment income (↓42.5%). Non-tax revenues include: intergovernmental aid; investment income; licenses and permits; user fees, fines, and forfeitures; and miscellaneous revenues, the largest of which is rental property income.

General Intergovernmental Revenues

General Intergovernmental Revenues are received from the State or Federal governments as general aid for certain purposes, not tied, like grants, to particular expenditures. The majority of this money comes from the State based on particular formulas set in law. Total aid is specified in the Governor's annual budget. Since the final results are not known until the General Assembly session is completed and the State budget adopted, estimates in the March 15 County Executive Recommended Public Services Program are, generally, based on the Governor's budget estimates for FY09, unless those estimates assume a change in existing law. If additional information on the State budget is available to the County Executive, this information will be incorporated into the budgeted projection of State aid. For future years, it is difficult to know confidently how State aid policy may change. The projection does not assume that State aid formulas will necessarily remain in place. It is assumed that State aid will increase with either the projected rate of inflation, by an amount based on the projected increase in County population, or a combination of those two factors. The Recommended Budget for FY09 assumes a $22.4 million, or 3.8 percent, decrease in Intergovernmental Revenues from the revised FY08 estimate, of which 70.8 percent is allocated to the Montgomery County Public Schools, 7.0 percent to Highway User Revenue, 4.9 percent to Mass Transit, and 5.8 percent to Montgomery College. The overall decrease is attributed to the reclassification of $32.6 million in social services revenue from the General Fund to the Grant Fund. Total Intergovernmental Aid is estimated to total $563.9 million in FY09 or 74.4 percent of all non-tax revenues.

Licenses and Permits

Licenses and permits include General Fund business licenses (primarily public health, traders, and liquor licenses) and non-business licenses (primarily marriage licenses and Clerk of the Court business licenses). Licenses and permits in the Permitting Services Enterprise Fund, which include building, electrical, and sediment control permits, are Enterprise Funds and thus not included in tax supported projections. The Recommended Budget for FY09 assumes a 13.6 percent increase over the revised projections for FY08, resulting in $12.9 million in available resources in FY09.

Charges for Services (User Fees)

Excluding intergovernmental revenues to Montgomery County public schools and college tuition, charges for services, or user fees, is the largest non-tax revenue source, especially when Enterprise Funds such as Solid

Waste Collection, Solid Waste Disposal, Liquor Fund, M-NCPPC user fees, MCPS food service sales, and parking revenues are considered. Tax supported fee revenues come primarily from fees imposed on the recipients of certain County services including mass transit, human services, and recreation services and are included in the tax supported funds. Without rate increases, these revenues tend to show little growth although there is some variance because of weather, population changes, the economy, and changes in commuting patterns. However, it is the policy of the County to increase rates or fees to keep up with inflation. It is not always possible to achieve this goal for each fee, either because of market competition or because prices normally rise in rounded steps. The long-term estimates assume that rates will rise. The Recommended Budget for FY09 assumes 19.3 percent growth over the revised projections for FY08, resulting in $59.2 million in available resources in FY09.

Fines and Forfeitures

Revenues from fines and forfeitures relate primarily to photo red light citations, speed camera citations, and library and parking fines (excluding the County's four Parking Districts). The Recommended Budget for FY09 assumes that fines and forfeitures will increase 25.5 percent over the revised estimates for FY08, resulting in $25.9 million in available resources in FY09.

College Tuition

Although College tuition is no longer included in the County Council Spending Affordability Guideline Limits (SAG), it remains in the tax supported College Current Fund. Calculation of the aggregate operating budget is under the SAG Limits. Tuition revenue depends on the number of registered students and the tuition rate. The Recommended Budget for FY09 assumes an increase of 7.9 percent over the revised projections for FY08 resulting in $68.6 million in available resources in FY09.

Investment Income

Investment income includes the County's pooled investment and non-pooled investment and interest income of other County agencies and funds. The County operates an investment pool directed by an investment manager who invests all County funds using an approved, prudent investment policy as a guide. The pool includes funds from tax supported funds as well as from Enterprise Funds, municipal taxing districts, and other governmental agencies. Two major factors determine pooled investment income: (1) the average daily investment balance which is affected by the level of revenues and expenditures, fund balances, and the timing of bond and commercial paper issues; and (2) the average yield percentage which reflects short-term interest rates and may vary considerably during the year.

The revised FY08 estimate of pooled investment income of $40.0 million assumes a 4.00 percent yield on equity and an average daily balance of $999.7 million. The FY09 projected estimate of $25.9 million assumes a dramatic decline to a 2.50 percent yield but a higher average daily balance of $1,037.7 million. Reflecting robust growth in revenues in the second half of the 1990s, the amount of available funds for investments, measured by the daily cash balance, doubled between FY93 ($437 million) and FY00 ($890 million). As a result of weak economic and revenue conditions starting in 2001, the cash balance declined from $890 million to $566 million between FY00 and FY04. Because of the improvement in economic and revenue outlook, the cash balance rebounded to $710 million in FY05, $884 million in FY06, and $930.5 million in FY07. Using current revenue projections, the daily cash balance is expected to grow from $930.5 million in FY07 to $1,250.5 million by FY14. Yields have fluctuated significantly over time. When the Fed tightened monetary policy in 1999 and 2000, yields jumped to 6.7 percent in the latter part of 2000 – a ten-year high. On a fiscal year basis, yield rates increased to 6.2 percent in FY01. However, as the economy weakened significantly in calendar year 2001, the Federal Open Market Committee (FOMC) of the Federal Reserve initiated an aggressive monetary policy and cut the federal fund interest rate 13 times, reducing the rate from 6.5 percent at the onset of 2001 to just 1.0 percent by June 2003 – the lowest level since 1958. Not surprisingly, investment income yields followed interest rates on their downward trend, with the yield falling from 6.6 percent in December 2000 to 1.5 percent in December 2002. This 84 percent drop (or 554 basis points) in yield is the main reason for the 87 percent drop in investment income between FY00 and FY04. However, beginning in June 2004, the FOMC began to raise interest rates at a measured pace such that between June 2004 and June 2006, the target rate on federal funds increased from 1.0 percent to 5.25 percent. Since August 2007, the FOMC has reduced the target rate for federal funds from 5.25 percent to 3.00 by the end of January 2008. As such, the revisions to FY08 estimate for pooled investments was revised downward to incorporate the 225 basis points (bps) drop in the federal fund rates and the federal funds futures market expects another rate cut of between 50 and 75 bps in March 2008. By December 2009, Finance assumes that the federal funds rate may be as low as 2.00 percent.

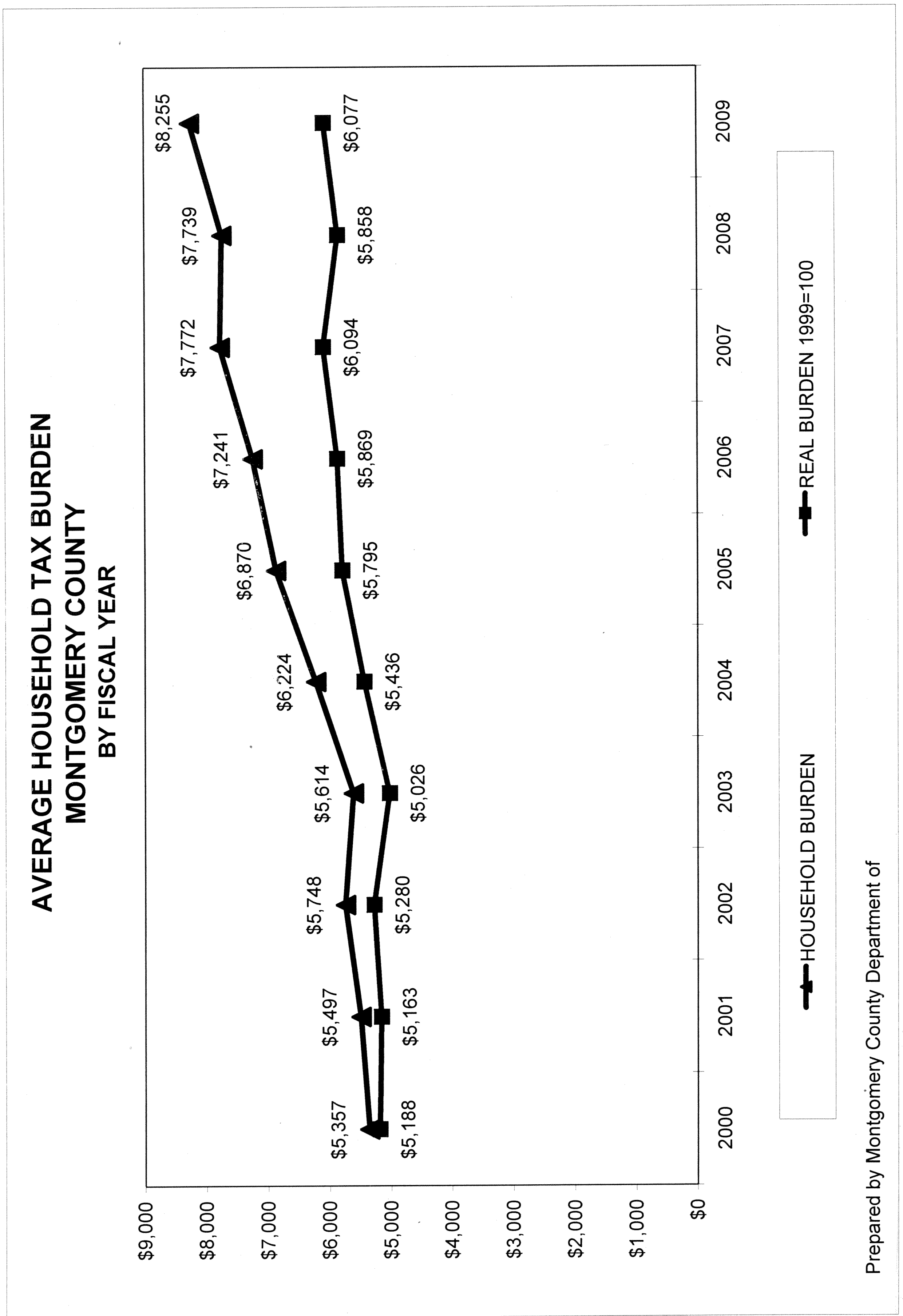
Other Miscellaneous

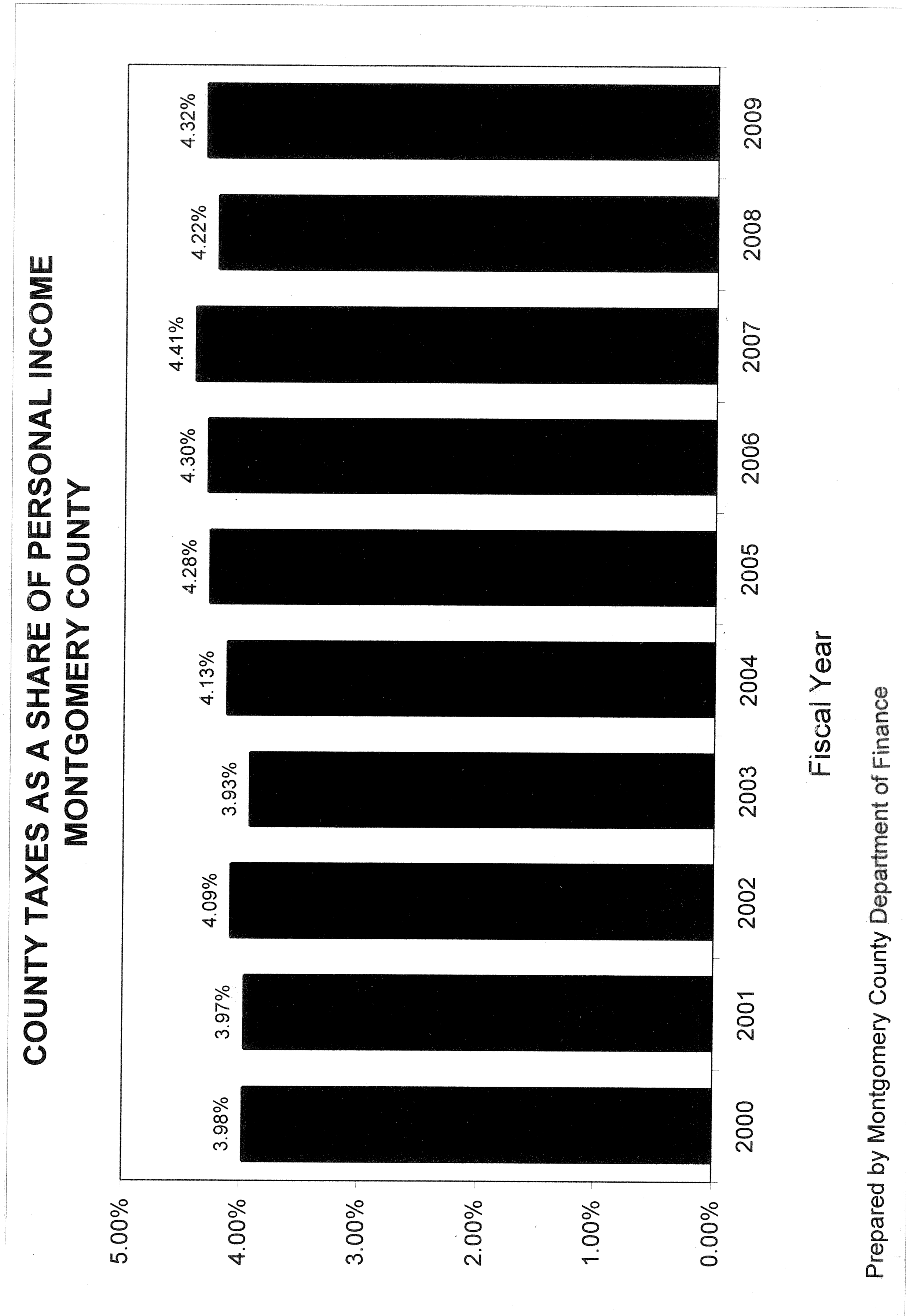
The County receives miscellaneous income from a variety of sources, the largest of which are rental income for the use of County property, operating revenue from the Conference Center, prior year encumbrance liquidations, abandoned vehicle auctions, and other revenues from current fund. These five categories make up 67.2 percent of the total $13.3 million projected for FY09. The projection for subsequent fiscal years assumes growth at the rate of inflation.

TRENDS AND PROJECTIONS

DEMOGRAPHIC AND PLANNING INDICATORS	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
POPULATION	**956,000**	**968,000**	**979,000**	**990,000**	**1,000,000**	**1,009,000**	**1,018,000**	**1,027,000**
Annual Increase	9,000	12,000	11,000	11,000	10,000	9,000	9,000	9,000
Population Growth Since 1999	11.9%	13.3%	14.6%	15.9%	17.1%	18.1%	19.2%	20.2%
County Resident Births (Prior Calendar Year)	13,806	13,960	14,130	14,300	14,470	14,620	14,760	14,890
HOUSEHOLDS	**355,425**	**360,425**	**365,125**	**370,000**	**374,000**	**378,000**	**382,000**	**386,000**
Household Annual Growth (%)	0.9%	1.4%	1.3%	1.3%	1.1%	1.1%	1.1%	1.0%
Household Growth Since 1999	11.6%	13.1%	14.6%	16.1%	17.4%	18.6%	19.9%	21.2%
Household Growth Since 1992	22.1%	23.8%	25.4%	27.1%	28.4%	29.8%	31.2%	32.6%
Household Size	2.69	2.69	2.68	2.68	2.67	2.67	2.66	2.66
RESIDENT EMPLOYMENT (Jan = Calendar Year)	**506,714**	**508,500**	**514,900**	**522,500**	**528,800**	**533,700**	**538,400**	**543,100**
Resident Employment Annual Growth (%)	0.4%	0.4%	1.3%	1.5%	1.2%	0.9%	0.9%	0.9%
Resident Employment Growth Since 1999	8.3%	8.6%	10.0%	11.6%	13.0%	14.0%	15.0%	16.0%
Resident Employment Per Household	1.43	1.41	1.41	1.41	1.41	1.41	1.41	1.41
Jobs in County	504,680	517,000	530,000	545,000	552,000	559,000	566,000	573,000
PERSONAL INCOME ($ Millions)	**$62,900**	**$65,400**	**$68,700**	**$72,800**	**$76,700**	**$80,600**	**$85,100**	**$89,900**
Per Capita Personal Income	**$65,795**	**$67,562**	**$70,174**	**$73,535**	**$76,700**	**$79,881**	**$83,595**	**$87,537**
Annual Growth (%)	5.8%	2.7%	3.9%	4.8%	4.3%	4.1%	4.6%	4.7%
CONSUMER PRICE INDEX (CPI) - Fiscal Year	**3.37%**	**3.59%**	**2.82%**	**2.42%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**
Inflation Growth (Fiscal Year) Since Nov. 1999 (%)	92.6%	105.1%	61.1%	38.3%	42.9%	42.9%	42.9%	42.9%
CONSUMER PRICE INDEX (CPI) - Calendar Year (%)	**3.62%**	**3.30%**	**2.35%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**
ASSESSABLE TAX BASE ($ Millions)	**$129,660**	**$146,398**	**$162,808**	**$177,811**	**$191,923**	**$204,742**	**$218,866**	**$234,275**
Annual Growth (%)	13.4%	12.9%	11.2%	9.2%	7.9%	6.7%	6.9%	7.0%
Growth of Base Since 1992 (%)	116.7%	144.7%	172.2%	197.2%	220.8%	242.3%	265.9%	291.6%
Growth of Base Since 1999 (%)	76.4%	99.1%	121.4%	141.8%	161.0%	178.5%	197.7%	218.6%
INVESTMENT INCOME YIELD (%)	**5.21%**	**4.00%**	**2.50%**	**3.50%**	**4.00%**	**4.50%**	**4.75%**	**5.00%**
MCPS ENROLLMENT (Sept = Calendar Year)	**137,798**	**137,745**	**137,763**	**137,658**	**137,439**	**137,623**	**137,968**	**138,527**
Annual Growth (%)	-1.1%	0.0%	0.0%	-0.1%	-0.2%	0.1%	0.3%	0.4%
Annual Increase (Decrease)	(1,589)	(53)	18	-105	-219	184	345	559
MONTGOMERY COLLEGE ENROLLMENTS (a)	**22,893**	**23,866**	**24,270**	**24,510**	**24,680**	**24,860**	**24,940**	**24,940**
Annual Growth (%)	2.83%	4.25%	1.69%	0.99%	0.69%	0.73%	0.32%	0.00%
Full Time Equivalents (Sept = Calendar Year) (a)	**18,977**	**19,930**	**20,538**	**20,924**	**21,336**	**21,759**	**22,174**	**22,174**
Annual Growth in FTE's (%)	4.17%	5.02%	3.05%	1.88%	1.97%	1.98%	1.91%	0.00%
MOTOR VEHICLE REGISTRATIONS	**736,000**	**746,000**	**756,000**	**766,000**	**774,000**	**782,000**	**790,000**	**798,000**
Automobile Registrations	621,000	630,000	638,000	647,000	654,000	661,000	668,000	675,000
Trucks and Other	115,000	116,000	118,000	119,000	120,000	121,000	122,000	123,000
Automobile Registrations per Household	1.747	1.748	1.747	1.749	1.749	1.749	1.749	1.749
Vehicle Registrations per Household	2.071	2.070	2.071	2.070	2.070	2.069	2.068	2.067

(a) Projections related to Montgomery College Enrollments and Full Time Equivalents are provided by Montgomery College and only include projections thru FY13. Since no projections are provided for FY14, the projections for FY13 were used for FY14.


AVERAGE HOUSEHOLD TAX BURDEN
MONTGOMERY COUNTY
BY FISCAL YEAR
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
$5,357
$5,497
$5,748
$5,614
$6,224
$6,870
$7,241
$7,772
$7,739
$8,255
$5,188
$5,163
$5,280
$5,026
$5,436
$5,795
$5,869
$6,094
$5,858
$6,077
HOUSEHOLD BURDEN
REAL BURDEN 1999=100
Prepared by Montgomery County Department of


COUNTY TAXES AS A SHARE OF PERSONAL INCOME
MONTGOMERY COUNTY
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
3.98%
3.97%
4.09%
3.93%
4.13%
4.28%
4.30%
4.41%
4.22%
4.32%
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
Fiscal Year
Prepared by Montgomery County Department of Finance

FY09 FEE AND FINE CHANGES*

DEPARTMENT/FEE AND FINE	FY09 REVENUE CHANGE	METHOD OF CHANGE	NOTE
MONTGOMERY COLLEGE			
Tuition rate increase	5,803,910	Board of Trustees action	Increase per semester hour rate from $96 to $99 for County residents, $197 to $203 for State residents, and $266 to $275 for non-residents.
PERMITTING SERVICES			
Increase all allowable Permitting Fees and Fines	633,310	Executive Regulation Method 2 and 3 for most fees. Council Resolutions for administration and enforcement of registered home occupations, requests to waive parking standards, zoning compliance letters, enforcement of sign permits & licenses and special exceptions	A 2.3% fee increase in all allowable permitting fees and fines is recommended consistent with the previously adopted policy increasing fees to cover increased labor costs.
Continue Realignment of Existing Fees to Reflect Costs	1,214,700	Executive Regulation Method 3 for land development fees. Resolution for special exception fees	Effective July 1, 2008, all land development fees will be increased by 15% and special exception fees will be increased by 40% to improve cost recovery.
Credit Card Fee related to Credit Card Acceptance	569,010	Executive Regulation Method 2 and 3 for most fees. Council Resolutions for administration and enforcement of registered home occupations, requests to waive parking standards, zoning compliance letters, enforcement of sign permits & licenses and special exceptions	A one-time 2.0% fee increase in all allowable permitting fees and fines is recommended consistent with previously adopted policy increasing fees to cover costs associated with credit payment option for Permitting Services customers.
Building Permit Fee Increases Related to Green Building's Legislation	415,000	Executive Regulation Method 2	Effective July 1, 2008, a 4% increase in construction building permits is recommended to cover expenditures from the Green Building's Implementation.
PUBLIC WORKS AND TRANSPORTATION			
Subdivision Review Fee	529,160	Executive Regulation	Additional fee to facilitate subdivision plan reviews
WHEATON PARKING LOT DISTRICT			
Parking Fees	310,000	Council Resolution	Increase parking fees from $0.35 to $0.50 per hour.
SILVER SPRING PARKING LOT DISTRICT			
Parking Fees	1,500,000	Council Resolution	Increase hourly rates: Long Term from $0.45 to $0.50; Short Term from $0.60 to $0.75; Pay on Foot from $0.50 to $0.75.
SOLID WASTE SERVICES			
Increase Solid Waste Charges	1,264,250	Council Resolution	Increase single family charge per household from $198.42 to $202.72.
Increase Solid Waste Yard Trim Tipping Charge	661,340	Council Resolution	Increase single family charge per household from $66 to $73.
Increase Vacuum Leaf Collection Fees	969,870	Council Resolution	Increase single family charge per household from $80.54 to $93.04.
TRANSIT SERVICES			
Ride on 20-Trip Ticket	215,540	Council Resolution	Increase from $20 to $27
Create Ride on Monthly Pass	186,760	Council Resolution	Eliminate 2-week Ride About pass at $10 and create monthly pass at $25
Ride on fare for cash	203,970	Council Resolution	Increase from $1.25 to $1.35 for cash fare; SmarTrip base fare unchanged at $1.25.

FY09 FEE AND FINE CHANGES*

DEPARTMENT/FEE AND FINE	FY09 REVENUE CHANGE	METHOD OF CHANGE	NOTE
RECREATION			
Activity Fees	245,030	Executive Regulation 12-05 Method 3	Increase fees for aquatic classes, annual pool passes, and summer swim team registrations
Activity Fees	43,500	Executive Regulation 12-05 Method 3	Increase fee for Summer Fun Centers
Activity Fees	25,000	Executive Regulation 12-05 Method 3	Increase fee for open gym memberships
Activity Fees	20,000	Executive Regulation 12-05 Method 3	Increase fees for weight room memberships
Activity Fees	19,000	Executive Regulation 12-05 Method 3	Increase fees for after school programs in community centers
Activity Fees	10,000	Executive Regulation 12-05 Method 3	Increase fee for Club Friday programs
Activity Fees	450	Executive Regulation 12-05 Method 3	Increase fee for the Fairland Leadership program
COMMUNITY USE OF PUBLIC FACILITIES			
General User Fees	420,000	Interagency Coordinating Board Resolution	Effective September 1, 2008, fees will increase by 10% to cover growing costs and reimbursement obligations to MCPS.
SHERIFF			
Sheriff	200,000	State of Maryland	Process fees increased from $30 to $40 and refunds for non-served papers changed from $30 to $20
COMMISSION FOR WOMEN			
Fees charged for Services	21,500	Executive Order 176-05 Method 3	Workshops increase from $16 to $20 up by $4; Professional Counseling increase from $40 to $50 up by $10; Continuing Education Seminars increase from $45 to $55 up by $10.
ENVIRONMENTAL PROTECTION			
Water Quality Protection Charge	2,478,853	Maryland Code, Title 4; Montgomery County Code 19-35; Montgomery County Executive Regulation 6-02; Amend County Code New County Council Resolution	Increase from $25.23 to $35.50 up by $10.27
FIRE RESCUE SERVICE			
Ambulance/Emergency Medical Services Fee	7,047,790	Executive Regulation	Effective January 1, 2009. To provide needed resources for staffing and apparatus enhancement.
Fire Investigation Report Fee	50,000	Executive Regulation	Fee charged to provide fire investigation report.
ETHICS COMMISSION			
Lobbying Registration Fees As Permitted By Law	25,500	Executive Regulation adopted under Method 2, which requires Council approval; County enabling law 19A-23.	Lobbying fee that will be charged to lobbyists who must register and report lobbying activities to the commission when income or expenditures exceed $500.
GRAND TOTAL	**25,083,443**		

*** All changes are assumed to be effective July 1, 2008 except as noted.**
Revenues above do not include implementation costs.

PROJECTED TOTAL USES OF RESOURCES (COMBINED USES)

($ Millions)

	A USE OF RESOURCES	B Approved FY08	C Estimate FY08	D % Chg. FY08-09	E % Chg. FY08-09	F Rec. FY09	G % Chg. FY09-10	H Projected FY10	I % Chg. FY10-11	J Projected FY11	K % Chg. FY11-12	L Projected FY12	M % Chg. FY12-13	N Projected FY13	O % Chg. FY13-14	P Projected FY14
		5-24-07	3-17-08	Rec / Bud	Rec / Est											
1	**Total Resources**															
2	Revenues	3,625.1	3,567.2	4.6%	6.3%	3,792.7	4.4%	3,961.3	4.2%	4,128.6	4.6%	4,317.3	4.7%	4,520.7	4.4%	4,719.8
3	Beginning Reserves Undesignated	175.8	274.1	-22.6%	-50.4%	136.0	-19.5%	109.5	7.8%	118.0	9.2%	128.9	9.6%	141.2	9.0%	153.9
4	Beginning Reserves Designated	20.7	5.8	-69.8%	8.0%	6.2		9.0		8.8		8.5		8.1		8.4
5	Net Transfers In	11.5	11.3	196.3%	201.1%	34.1	-20.7%	27.1	2.5%	27.8	2.5%	28.4	2.5%	29.2	2.5%	29.9
6	**Total Resources**	3,833.1	3,858.4	3.5%	2.9%	3,969.1	3.5%	4,106.9	4.3%	4,283.1	4.7%	4,483.1	4.8%	4,699.2	4.5%	4,912.0
7	$ Change from prior Budget	250.7	108.0			110.7		137.8		176.2		200.0		216.0		212.8
8	**Uses: Non-Agency**															
9	**Capital Investment** (a)															
10	Debt Service: GO Bonds for all Agy's.	226.5	225.2	1.8%	2.4%	230.6	11.8%	257.8	7.5%	277.1	6.8%	296.0	7.4%	317.9	5.6%	335.7
11	Debt Service: Local Parks	4.7	4.7	0.3%	0.3%	4.7	-6.4%	4.4	0.0%	4.4	0.0%	4.4	0.0%	4.4	0.0%	4.4
12	Debt Service: Leases	13.0	13.0	33.7%	33.8%	17.4	22.6%	21.3	5.0%	22.4	4.0%	23.3	-1.9%	22.8	-5.0%	21.7
13	CIP Current Revenue	42.5	40.0	12.7%	19.9%	47.9	-10.7%	42.8	-34.8%	27.9	-23.6%	21.3	-21.7%	16.7	4.4%	17.4
14	CIP Paygo	27.5	27.5	9.1%	9.1%	30.0	0.0%	30.0	0.0%	30.0	0.0%	30.0	0.0%	30.0	0.0%	30.0
14a	CIP Paygo Rec Tax	0.0	0.0	0.0%	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0
15	**Sub-total Capital**	314.2	310.4	5.2%	6.5%	330.6	7.8%	356.3	1.5%	361.8	3.7%	375.0	4.5%	391.9	4.4%	409.2
16	**Other Uses**															
17	Set Aside: Potential Supplementals	0.0	18.4			0.0		23.1		23.1		23.1		23.1		23.1
18	Set Aside:Other Claims	0.0	0.0			2.6		2.5		2.5		0.0		0.0		0.0
19	Revenue Stabilization Fund	0.0	0.0			0.0		0.0		0.0		0.0		0.0		0.0
20	**Sub-total Other**	0.0	18.4			2.6		25.7		25.7		23.1		23.1		23.1
21	**Reserves**															
22	Revenue Stabilization Fund	119.6	119.6	0.0%	0.0%	119.6	0.0%	119.6	0.0%	119.6	0.0%	119.6	0.0%	119.6	0.0%	119.6
23	Reserve Undesignated	104.6	136.0	4.7%	-19.5%	109.5	7.8%	118.0	9.2%	128.9	109.6%	141.2	9.0%	153.9	8.1%	166.4
24	Reserve Designated	5.7	6.2	57.4%	44.1%	9.0		8.8		8.5		8.1		8.4		8.7
25	**Sub-total Reserves**	230.0	261.9	3.5%	-9.1%	238.1	3.5%	246.4	4.3%	257.0	4.7%	269.0	4.8%	281.9	4.5%	294.7
26	Less Revenue Stabilization Fund	(119.6)	(119.6)	0.0%	0.0%	(119.6)	0.0%	(119.6)	0.0%	(119.6)	0.0%	(119.6)	0.0%	(119.6)	0.0%	(119.6)
27	Less Designated Reserve	(5.7)	(6.2)	57.4%	44.1%	(9.0)		(8.8)		(8.5)		(8.1)		(8.4)		(8.7)
28	**Sub-total Undesignated Reserves**	104.6	136.0	4.7%	-19.5%	109.5	7.8%	118.0	9.2%	128.9	9.6%	141.2	9.0%	153.9	8.1%	166.4
29	**Total Uses: Non-Agency**	424.5	471.0	6.4%	-4.1%	451.7	12.6%	508.7	3.1%	524.8	4.3%	547.5	5.4%	577.3	5.2%	607.4
30	**Uses: Available for Agency Services**	3,408.6	3,387.4	3.2%	3.8%	3,517.5	2.3%	3,598.2	4.5%	3,758.4	4.7%	3,935.6	4.7%	4,121.9	4.4%	4,304.6
31	**$ Change from prior Budget**	233.2	208.0			130.1		80.7		160.2		177.3		186.2		182.7

(a) See separate displays elsewhere in this book for allocation of Debt Service and CIP Current Revenue by Agency (A-3 Schedule).
(b) FY09-14 Debt Service, PAYGO, and CIP Current Revenue as recommended by the County Executive on January 15,2008 with further changes to be transmitted shortly.

REVENUE SUMMARY
TAX SUPPORTED BUDGETS
($ Millions)

A KEY REVENUE CATEGORIES	B Approved FY08	C Estimate FY08	D % Chg. FY08-09	E % Chg. FY08-09	F Rec. FY09	G % Chg. FY09-10	H Projected FY10	I % Chg. FY10-11	J Projected FY11	K % Chg. FY11-12	L Projected FY12	M % Chg. FY12-13	N Projected FY13	O % Chg. FY13-14	P Projected FY14
TAXES	5-24-07	03-17-08	Rec/Bud	Rec/Est											
1 Property Tax (less PDs)	1,207.5	1,209.5	14.7%	14.5%	1,385.2	3.7%	1,435.8	1.7%	1,460.7	3.0%	1,504.6	3.0%	1,549.5	2.9%	1,595.1
2 Income Tax	1,286.9	1,285.0	3.0%	3.1%	1,325.4	6.0%	1,404.9	7.1%	1,504.3	7.1%	1,611.2	7.4%	1,730.4	6.4%	1,840.9
3 Transfer Tax	120.8	80.2	-33.0%	0.8%	80.9	5.8%	85.6	5.9%	90.6	5.7%	95.8	7.4%	102.8	8.0%	111.1
4 Recordation Tax	72.5	53.2	-6.0%	27.9%	68.1	4.6%	71.2	5.0%	74.8	4.3%	78.0	5.4%	82.2	7.6%	88.5
5 Energy Tax	119.9	119.5	1.4%	1.8%	121.6	2.0%	124.1	1.4%	125.8	1.6%	127.9	1.8%	130.2	1.8%	132.6
6 Telephone Tax	30.2	30.0	2.1%	2.7%	30.9	2.9%	31.8	2.5%	32.5	2.5%	33.4	0.8%	33.6	1.0%	34.0
7 Hotel/Motel Tax	18.4	18.1	7.9%	9.7%	19.9	2.6%	20.4	6.7%	21.8	6.3%	23.1	6.3%	24.6	6.2%	26.1
8 Admissions Tax	2.5	2.3	-5.2%	2.6%	2.4	2.1%	2.4	2.1%	2.5	2.0%	2.5	2.6%	2.6	2.0%	2.6
9 **Total Local Taxes**	**2,858.7**	**2,797.9**	6.1%	8.5%	**3,034.3**	**4.7%**	**3,176.1**	**4.3%**	**3,312.9**	**4.9%**	**3,476.4**	**5.2%**	**3,655.9**	**4.8%**	**3,830.8**
INTERGOVERNMENTAL AID															
10 Highway User	38.7	38.3	2.4%	3.5%	39.7	1.3%	40.2	1.0%	40.6	1.0%	41.0	1.0%	41.4	1.1%	41.8
11 Police Protection	13.2	13.5	2.2%	0.0%	13.5	1.1%	13.6	1.0%	13.8	0.9%	13.9	0.9%	14.0	0.9%	14.1
12 Libraries	4.2	4.4	24.5%	18.6%	5.3	1.1%	5.3	1.0%	5.4	0.9%	5.4	0.9%	5.5	0.9%	5.5
13 Health Services Case Formula	5.6	6.0	12.4%	3.8%	6.3	2.4%	6.4	2.5%	6.6	2.5%	6.7	2.5%	6.9	2.5%	7.1
14 Mass Transit	22.8	25.4	21.9%	9.6%	27.8	2.4%	28.5	2.5%	29.2	2.5%	29.9	2.5%	30.7	2.5%	31.4
15 Public Schools	389.3	391.2	2.6%	2.1%	399.3	1.2%	404.1	3.9%	419.7	2.3%	429.4	2.3%	439.4	2.3%	449.6
16 Community College	28.7	28.4	14.2%	15.4%	32.7	2.4%	33.5	2.5%	34.4	2.5%	35.2	2.5%	36.1	2.5%	37.0
17 Direct Reimbursements	31.8	30.9	-18.0%	-15.9%	26.0	3.0%	26.8	3.0%	27.6	3.0%	28.4	2.9%	29.3	2.9%	30.1
17a Direct Reimb: DSS Services	31.1	32.8	-100.0%	-100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
18 Other	9.8	13.6	19.8%	-14.2%	11.7	3.0%	12.0	3.0%	12.4	3.0%	12.8	2.9%	13.2	2.9%	13.5
19 **Subtotal State Aid**	**575.2**	**584.6**	-2.2%	**-3.8%**	**562.3**	**1.5%**	**570.5**	**3.3%**	**589.6**	**2.2%**	**602.8**	**2.2%**	**616.4**	**2.3%**	**630.2**
20 Federal Aid	1.6	1.6	3.8%	**-0.3%**	1.6	1.5%	1.7	1.5%	1.7	1.5%	1.7	1.5%	1.7	1.5%	1.8
21 **Total Intergovernmental Aid**	**576.7**	**586.3**	-2.2%	**-3.8%**	**563.9**	**1.5%**	**572.2**	**3.3%**	**591.3**	**2.2%**	**604.5**	**2.2%**	**618.1**	**2.3%**	**632.0**
FEES AND FINES															
22 Licenses & Permits	10.8	11.3	19.2%	13.6%	12.9	1.5%	13.1	1.5%	13.2	1.5%	13.4	1.5%	13.6	1.5%	13.9
23 Charges for Services	52.1	49.6	13.6%	19.3%	59.2	1.9%	60.3	2.0%	61.5	2.0%	62.8	2.0%	64.0	2.0%	65.3
24 Fines & Forfeitures	19.2	20.7	35.0%	25.5%	25.9	1.6%	26.4	1.6%	26.8	1.6%	27.2	1.6%	27.6	1.6%	28.1
25 Montgomery College Tuition	62.8	63.5	9.2%	7.9%	68.6	10.5%	75.8	5.4%	79.9	5.3%	84.1	5.2%	88.5	5.1%	93.0
26 **Total Fees and Fines**	**144.9**	**145.1**	15.0%	**14.8%**	**166.6**	**5.4%**	**175.5**	**3.4%**	**181.4**	**3.3%**	**187.5**	**3.4%**	**193.8**	**3.3%**	**200.2**
MISCELLANEOUS															
27 Investment Income	32.0	25.5	-54.2%	-42.5%	14.6	63.3%	23.9	21.8%	29.1	19.0%	34.7	10.3%	38.2	5.3%	41.8
28 Other Miscellaneous	12.8	12.4	3.9%	6.7%	13.3	2.4%	13.6	2.5%	13.9	2.5%	14.3	2.5%	14.6	2.5%	15.0
29 **Total Miscellaneous**	**44.8**	**37.9**	-37.7%	**-26.3%**	**27.9**	**34.4%**	**37.5**	**14.8%**	**43.1**	**13.7%**	**48.9**	**8.0%**	**52.9**	**7.3%**	**56.8**
30 **TOTAL REVENUES**	**3,625.1**	**3,567.2**	4.6%	**6.3%**	**3,792.7**	**4.4%**	**3,961.3**	**4.2%**	**4,128.6**	**4.6%**	**4,317.3**	**4.7%**	**4,520.7**	**4.4%**	**4,719.8**
31 $ Change from prior Budget	303.7	83.6			225.5		168.6		167.3		188.7		203.3		199.1

County Executive's Recommended FY09-14 Public Services Program

Tax Supported Fiscal Plan Summary

($ in Millions)

		App FY08	Est. FY08	% Chg. FY08-09	Rec. FY09	% Chg. FY09-10	Projected FY10	% Chg. FY10-11	Projected FY11	% Chg. FY11-12	Projected FY12	% Chg. FY12-13	Projected FY13	% Chg. FY13-14	Projected FY14
		5-24-07	**3-17-08**	**Rec/Bud**											
1	**Total Resources**														
2	Revenues	3,625.1	3,567.2	**4.6%**	**3,792.7**	4.4%	3,961.3	4.2%	4,128.6	4.6%	4,317.3	4.7%	4,520.7	4.4%	4,719.8
3	Beginning Reserves Undesignated	175.8	274.1	**-22.6%**	**136.0**	-19.5%	109.5	7.8%	118.0	9.2%	128.9	9.6%	141.2	9.0%	153.9
4	Beginning Reserves Designated	20.7	5.8	**-69.8%**	**6.2**	44.1%	9.0	-2.5%	8.8	-3.4%	8.5	-4.6%	8.1	3.7%	8.4
5	Net Transfers In (Out)	11.5	11.3	**196.3%**	**34.1**	-20.7%	27.1	2.5%	27.8	2.5%	28.4	2.5%	29.2	2.5%	29.9
6	**Total Resources Available**	3,833.1	3,858.4	**3.5%**	**3,969.1**	3.5%	4,106.9	4.3%	4,283.1	4.7%	4,483.1	4.8%	4,699.2	4.5%	4,912.0
7	**Less Other Uses of Resources (Capital, Debt Service,Reserve)**	424.5	471.0	**6.4%**	**451.7**	12.6%	508.7	3.1%	524.8	4.3%	547.5	5.4%	577.3	5.2%	607.4
8	**Available to Allocate to Agencies**	3,408.6	3,387.4	**3.2%**	**3,517.5**	**2.3%**	**3,598.2**	**4.5%**	**3,758.4**	**4.7%**	**3,935.6**	**4.7%**	**4,121.9**	**4.4%**	**4,304.6**
9	**Agency Uses**														
10	Montgomery County Public Schools (MCPS)	1,852.2	1,841.4	**4.0%**	**1,927.0**	8.2%	2,085.9	8.1%	2,255.1	8.0%	2,435.3	7.9%	2,627.5	7.8%	2,832.4
11	Montgomery College (MC)	197.4	194.0	**4.5%**	**206.2**	8.2%	223.1	8.1%	241.3	8.1%	260.8	8.1%	281.9	8.0%	304.5
12	MNCPPC (w/o Debt Service)	98.4	97.2	**4.5%**	**102.9**	7.0%	110.0	7.2%	117.9	6.6%	125.8	6.8%	134.4	6.3%	142.9
13	MCG	1,260.6	1,254.8	**1.6%**	**1,281.4**	7.7%	1,379.6	7.5%	1,483.1	7.4%	1,592.4	7.2%	1,707.7	7.1%	1,829.5
14	**Subtotal Agency Uses**	**3,408.6**	**3,387.4**	3.2%	**3,517.5**	**8.0%**	**3,798.6**	**7.9%**	**4,097.4**	**7.7%**	**4,414.3**	**7.6%**	**4,751.4**	**7.5%**	**5,109.3**
15	**Subtotal Other Uses of Resources (Capital, Debt Service,Reserve)**	424.5	471.0	**6.4%**	**451.7**	12.6%	508.7	3.1%	524.8	4.3%	547.5	5.4%	577.3	5.2%	607.4
16	**Total Uses**	**3,833.1**	**3,858.4**	**3.5%**	**3,969.1**	8.5%	**4,307.3**	7.3%	**4,622.1**	7.3%	**4,961.8**	7.4%	**5,328.7**	7.3%	**5,716.7**
17	**(Gap)/Available**	0.0	0.0		**0.0**		**(200.4)**		**(339.0)**		**(478.6)**		**(629.6)**		**(804.7)**

Notes:

1. **Projected FY10-14 Agency Uses are based on 10-year average rate of growth plus phase-in of retiree health insurance pre-funding incremental cost.**
2. **FY10-14 property tax revenues are assumed at the Charter Limit.**